



1TGU-OWS-28-RA

DATE: February 6, 2002

SESA ISSUANCE NO. 02-11

SUBJECT: Guidelines for Fiscal Year (FY) 2002 State Agency Unemployment Insurance (UI) Resource Allocations, Supplemental Budget Requests (SBRs), and Above-Base Funding

1. **Purpose.** To provide the following information for FY 2002: UI State Administration base resource allocations; general guidelines for resource planning; base allocation methodologies; and specific guidelines for above-base funding and SBRs.

2. **References.** ET Handbook No. 336, 16th Edition, State Employment Security Agency (SESA) State Quality Service Plans (SQSPs) for Unemployment Insurance Operations; SESA Issuance No. 01-32, Fiscal Year (FY) 2002 State Agency Unemployment Insurance Resource Planning Targets and Guidelines; and Unemployment Insurance Program Letter (UIPL) No. 28-00, "Call Memo" for the Fiscal Year 2001 Unemployment Insurance State Quality Service Plan.

3. **Appropriation.** The FY 2002 spending bill that included appropriations for State UI operations (Public Law 107-116) was enacted on January 10, 2002.

- a. **Amount.** The appropriation includes \$2,403,923,000 for State Administration and \$10,000,000 for National Activities. These amounts are equal to the President's budget request.
- b. **Special Language.** The appropriation contains the same language from prior years concerning integrated UI and Employment Service (ES) automation efforts and the extended obligation period for automation acquisitions. States may use state UI and ES Operations funds to finance integrated UI and ES automation efforts, notwithstanding cost allocation principles prescribed under Office of Management and Budget (OMB) Circular A-87. See ET Handbook No. 336 for the definition and prescribed funding period for automation acquisitions.

4. **Final Base Allocations.**

- a. **Current and Prior Year Bottom-line Reductions.** Including integrity funds and the special "Reed Act" distribution, the total base amount is \$264.9 million or 10 percent below what is calculated to fully fund the allocated staff years at the approved compensation rates.
- b. **FY 2002 Grant Agreements.** Because UI grants are now executed through grant agreements, states no longer must submit a SF 424 for the final base allocations. The Grant Officer will update the grant agreements to reflect changes in funding resulting from above-base entitlement, SBR approvals, and other actions.

c. Changes to the Planning Targets.

- (1) ICON Programmer. The final allocations include additional funds equal to the approved ICON programmer SBR amounts. Each state's share of the \$35 million integrity allocation and \$100 million special Reed Act distribution changed slightly from the planning targets because of the additional ICON programmer dollars.
- (2) UI Data Validation (UIDV). The estimated level of effort for UIDV implementation is 1.5 staff years per state. The allocation for UI Support includes 1 staff year per state for Workload Validation; since UIDV will supercede Workload Validation, these staff years will be devoted to UIDV instead. In addition, 0.5 staff years per state will be shifted from Continuous Improvement in UI PERFORMS to UIDV. (See Attachment II.)

5. Supplemental Budget Requests. States may submit a SF 424 for additional funds for certain types of administrative costs that are not funded within the states' base and above-base grants. The SQSP Handbook contains SBR instructions and procedures that remain in place each year unless states are instructed otherwise.

- a. Remote Access Grants. For FY 2002, \$9 million is available for remote access projects. Specific information on remote access grants will be issued later in the fiscal year.
- b. State Law Changes. There is no reserve for state law changes; however, the National Office plans to inform the Regional Offices no later than July 31, 2002, if enough State Administration reserves remain to fund law changes. We will advise you as soon as possible.
- c. UI PERFORMS Travel. Travel dollars are available for Benefits Timeliness and Quality nonmonetary determinations tripartite reviews, appeals reviews, and Tax Performance System integrity reviews. States should contact the Regional Office instead of submitting an SF 424 for these travel dollars.

Postage SBRs. States must submit UI postage SBRs for the first three quarters to the National Office no later than 30 days after each quarter has ended. Because the National Office must obligate base postage funds by September 30, states should include estimated fourth quarter UI postage costs, based on historical data, with the third quarter SBR. Additionally, states that submit UI postage SBRs should include an annual estimate with the first quarter SBR.

6. Above-Base Funding. The National Office is holding \$91.3 million in reserve for above-base funding up to the 2.622 million average weekly insured unemployment (AWIU) contingency reserve trigger level. This amount will be adequate to fund above-base entitlements at 100 percent up to the contingency reserve trigger level.

- a. Contingency Reserve. Current projections indicate that the actual claims workloads will exceed the 2.622 million level used in the appropriation. In that event, additional funds will be made available for obligation to the states. For FY 2002, \$28.6 million will be made available for every increase of 100,000 (including a pro rata amount for any increment less than 100,000) in the AWIU above the 2.622 million level.

- b. Support. The above-base overhead percentage remains at 19 percent. Although Trade Adjustment Assistance (TAA) administration is not an above-base function, its overhead percentage is also 19 percent.
- c. Advances. Since the total base obligational authority is available to the states throughout the year, above-base advances will be made available only to states for the fourth quarter.
- d. Trade Redeterminations. There currently are no court decisions regarding the TAA program that would require the states to make monetary redeterminations. If one occurs, states should follow the UI-3 reporting instructions in ET Handbook No. 336, 16th Edition.

7. State Flexibility. States have full authority to shift UI resources among program categories as deemed appropriate and necessary to manage and operate their UI programs to meet established goals and requirements. The only caveat is that states must use the annual allocated staff year level for claims activities for above-base reporting purposes. This ensures that states do not earn more above-base resources than they would otherwise have been entitled to earn.


8. Action Required. State Administrators are requested to provide the above instructions to appropriate staff. Supplemental Budget Requests should be submitted in accordance with the instructions in section 5. above.

9. Inquiries. Direct questions to Rod Anderson, (617) 565-2226, for UI base staff, above-base funding, SBR submissions, special projects, and intra-regional issues. Direct questions to James Ring, (617) 565-2218 for AS&T/NPS allocations, personnel compensation rates, and state agency retirement funds.

10. Attachments.

I. FY 2002 State Agency Allocations

II. FY 2002 Special Projects Staff Years



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Attachments